REMARKS

Claims 36 and 50 have been canceled. Claims 37, 40, 48-49, 51, 54, and 61 have been amended. Support for the amendments may be found throughout the specification and drawings of the application as originally filed. Upon entry of the amendments, Claims 37-45, 48-49, and 51-61 will be pending in the present application. Based on at least the reasons set forth below, applicants respectfully request allowance of the pending claims.

Section 112 Rejections

In the Office Action, claims 49 and 61 were rejected under 35 U.S.C. §112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicants regard as their invention. Claims 49 and 61 have been amended to address the examiner's the rejections under 35 U.S.C. §112, second paragraph. Claim 49 has been amended to clarify that the "wherein" feature applies to the issuing step. Claim 61 has been amended to clarify that investors may "purchase an additional number of shares in exchange for the convertible security above a conversion price upon conversion." The amended claims do not have the wording objected-to by the examiner.

Section 103 Rejections

Claims 36, 43-44, 49-50, 57, and 58 were rejected under 35 U.S.C. §103(a) as obvious in view of a proposed combination of published U.S. patent application Pub. No. 2004/0177016 to Jones et al. (Jones 016) and published U.S. patent application Pub. No. 2004/0033674 to Jones et al. (Jones 674). Claims 37-42 and 51-56 were rejected under 35 U.S.C. §103(a) as obvious in view of a proposed combination of Jones 016, Jones 674, and an IRS Revenue Ruling (Blanchard (IRS Revenue Ruling 2002-31)). Claims 37-42 and 51-56 were rejected under 35

U.S.C. §103(a) as obvious in view of a proposed combination of Jones 016, Jones 674, admitted prior art, and published U.S. patent application Pub. No. 2004/0133494 to Jones et al. (Jones 494). Claim 61 was rejected under 35 U.S.C. §103(a) as obvious in view of a proposed combination of Jones 016, Jones 674, admitted prior art, and published U.S. patent application Pub. No. 2002/0130941 to Birle, Jr. et al.

Applicants respectfully submit that the pending claims are not obvious in view of the cited references for at least three reasons. **First**, none of the cited references disclose the remarketing step in which the potential recapture of excess tax benefits is postponed until the security ceases to be outstanding. **Second**, the pending claims are non-obvious given the numerous secondary considerations of non-obviousness. **Third**, the pending claims were reduced to practice prior to August 5, 2003, which renders both Jones 674 and Jones 494 ineligible as prior art.

First, none of the cited references disclose the remarketing step "wherein… the convertible security remains outstanding and potential recapture of excess tax benefits is postponed until the convertible security ceases to be outstanding," as disclosed in claim 48. As amended, claim 48 is not obvious in view of Jones 016 and Jones 674 for the reason set forth below. Claim 48 recites, in relevant part, a method comprising the steps of:

> issuing a convertible security by an issuer to a holder, wherein the convertible security comprises:…
>
> a remarketing provision that provides that the convertible security may be remarketed to new investors under certain conditions; and…
>
> remarketing, at a remarketing time, the convertible security to one or more new investors, wherein, after the remarketing time, the convertible security remains outstanding and potential recapture of excess tax benefits is postponed until the convertible security ceases to be outstanding; and

> calculating projected contingent payments with a computer system, wherein the computer system comprises one or more data storage media, and wherein the computer system communicates electronic data over a computer network.

(emphasis added).

In the Office Action, the Office concedes that:

> Jones 016 and Jones 674 do not specifically show wherein, after the remarketing time, the convertible security remains outstanding and potential recapture of excess tax benefits is postponed until the convertible security ceases to be outstanding.

Office Action at pg. 5. The Office cited admitted prior art to stand for this feature of claim 48. As stated in the Office Action, "Examiner notes an admitted prior art that (1)...and (2) the well known practice of accounting for the benefit of accounting for the benefit of tax implications with regard to securities." *Id.* Although the Office has cited admitted prior art of the practice of accounting for the benefit of accounting for the benefit of tax implications with regard to securities, the manner in which that benefit is achieved is not defined by the admitted prior art. Clearly, a situation in which, after the remarketing time, the convertible security remains outstanding and potential recapture of excess tax benefits is postponed until the convertible security ceases to be outstanding is **<u>not</u>** the equivalent of the practice of accounting for the benefit of accounting for the benefit of tax implications with regard to securities.

A determination of obviousness under § 103 requires: (1) determining the scope and content of the prior art; (2) ascertaining the differences between the claimed invention and the prior art; and (3) resolving the level of ordinary skill in the pertinent art. Based on these factual inquiries and any secondary considerations, the obviousness or nonobviousness of the subject matter is determined. *See* MPEP § 2141. Although the prior art references need not teach or suggest all of the claim limitations, Office personnel must explain why the differences between the prior art and the claimed invention would have been obvious to one of ordinary skill in the

art. *See id.* Importantly, any conclusion of obviousness must be supported with some articulated reasoning with some rational underpinning; mere conclusory statements are not sufficient. *See id.* In the present case and as discussed below, the Jones 016 and Jones 674 references cited by the Office fail to teach or suggest every feature recited in at least amended claim 48. In particular, the Jones references fail to teach the remarketing step "wherein… the convertible security remains outstanding and potential recapture of excess tax benefits is postponed until the convertible security ceases to be outstanding," and none of the other cited references cure this defect.

For at least this reason, Claim 48 is not obvious. For analogous reasons, Claim 49 is also not obvious because it includes similar claim language. Therefore, Claims 48-49 and their respective dependent claims are not obvious in view of the cited references.

Second, the claims of the present application also are non-obvious given the numerous secondary considerations of non-obviousness. The Office has failed to address Applicants previously submitted secondary considerations of non-obviousness, which is improper. According to the Office guidelines for determining obviousness, "Office personnel should consider all rebuttal evidence that is timely presented by the applicants when reevaluating any obviousness determination." *Examination Guidelines for Determining Obviousness Under 35 U.S.C. 103*, 72 Fed. Reg. 57,526 at ¶ V. (Oct. 10, 2007). "Rebuttal evidence may include evidence of 'secondary considerations,' such as 'commercial success, long felt but unsolved needs, [and] failure of others.'" *Id.* (quoting *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966)).

Here, aspects of the invention of the present application were the subject of a Harvard Business School ("HBS") case study. *See* Exhibit A. The case study explains how Wells Fargo & Company used the present invention to issue $3 billion in remarketable convertible securities

in 2003. The case study makes clear that the claimed inventions are non-obvious for several reasons.

The mere fact that the invention of the present application was the subject of a HBS case study is evidence of the non-obviousness of the invention. As a general proposition, professors at elite business schools like HBS did not spend time teaching their students about obvious business innovations. The fact that faculty members at HBS found the invention of the present application worthy enough for a case study demonstrates the non-obviousness of the invention.

The process by which the CFO at Wells Fargo decided to pursue the offering using the present invention, as described in the HBS case study, makes clear that the invention is nonobvious. The CFO brought in a number of investment bankers to create an offering structure that suited Wells Fargo's needs. Based on the recounting of how the offering was arrived at, it is clear that the claimed inventions were not obvious to the representative of the three investment banks prior to that meeting. According to Howard Atkins, CFO of Wells Fargo, the firms had offered proposals that were different from the claimed inventions. If the invention were as obvious as the Office Action asserts, there would have been no need for the CFO to gather all of the investment bankers and hold them captive until a solution was determined; the CFO or the investment bankers would have been able to come up with the offering structure immediately. However, that did not happen, and the fact that it did not happen demonstrates the nonobviousness of the invention.

In addition, the claimed inventions have found commercial success. The present invention was used by Wells Fargo to offer $3.0 billion of floating rate convertible senior debentures. This $3.0 billion offering was significantly larger (6 to 30 times) than a typical convertible debt offering, which, prior to the Wells Fargo offering, ranged from between $100

million to $500 million. *See* Exhibit A at pg. 6. If the invention were so obvious, it would have been used previously to raise such large amounts of capital.

The invention also produced numerous unexpected results, including: (i) it produced an offering that was 6 to 30 times greater than typical convertible debt offerings, as mentioned above; and (ii) the offering pursuant to the claims of the present application provided a low cost source of funding that would not have been possible with conventional convertible debt offerings. *See* Exhibit A. at 6.

Finally, the co-authors of the case study, which included one faculty member at HBS (Malcolm Baker), recognized the uniqueness of the claimed inventions in the case study. In the case study, the authors state "[g]iven the ***unique*** structure of the proposed convertible, [Howard] Atkins [,chief financial officer of Wells Fargo & Company] and his investment banking team expected it would take a few weeks to draft the legal documents." *See* Exhibit A at 6 (emphasis added). The fact that a professor at HBS considered the structure unique is evidence of the nonobviousness of the invention.

Third, the claims of the present application were reduced to practice prior to August 5, 2003, which renders both Jones 674 and Jones 494 ineligible as prior art. As shown in the Offering Memorandum from Wells Fargo dated April 9, 2003, the claims of the present application were reduced to practice at least by April 2003. *See* Exhibit B. The Offering Memo clearly shows: 1) issuing convertible securities; 2) with a maturity term; 3) a conversion provision; 4) a contingent payment provision; 5) and a remarketing provision. *See* Exhibit B at pgs. 2-5. *See also* Exhibit A (recounting how the Wells Fargo offering occurred in April 2003). As the claims of the present application were reduced to practice at least by April 2003, neither Jones 674 nor Jones 494 can be prior art to the present application. Jones 674 was filed as a

provisional application on Aug. 5, 2003, and Jones 494 was filed as a provisional application on Aug. 7, 2003.

Neither Jones 674 nor Jones 494 qualify as prior art to the present application. "Under amended 35 U.S.C. 102(e)(1), a U.S. patent application publication under 35 U.S.C. 122(b) is considered to be prior art as of the earliest effective U.S. filing date of the published application." MPEP § 901.03. Here Jones 674 has an earliest effective date of Aug. 5, 2003, and Jones 494 has an earliest effective filing date of Aug. 7, 2003. Both of these dates are **after** the date on which the present inventors actually reduced the claimed invention to practice. Therefore neither Jones 674 nor Jones 494 qualify as prior art under 35 U.S.C. §102(e).

For at least these reasons, applications submit that the pending claims are not obvious in view of the cited references.

CONCLUSION

Applicants respectfully submit that all of the claims presented in the present application are in condition for allowance. Applicants' present Amendment should not in any way be taken as acquiescence to any of the specific assertions, statements, etc., presented in the Office Action not explicitly addressed herein. Applicants reserve the right to address specifically all such assertions and statements in subsequent responses. Applicants also reserve the right to seek claims of a broader or different scope in a continuation application.

Applicants do not concede the correctness of the Office Action's rejection with respect to any of the dependent claims discussed above. Accordingly, Applicants hereby reserve the right to make additional arguments as may be necessary to distinguish further the dependent claims from the cited references, taken alone or in combination, based on additional features contained in the dependent claims that were not discussed above. A detailed discussion of these

differences is believed to be unnecessary at this time in view of the basic differences in the independent claims pointed out above.

Applicants have made a diligent effort to properly respond to the Office Action and believe that the claims are in condition for allowance. If the Examiner has any remaining concerns, the Examiner is invited to contact the undersigned at the telephone number set forth below so that such concerns may be expeditiously addressed.

Respectfully submitted,

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